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South Lakeland District Council

Assurance Review of Corporate Governance – Compliance with Local Code

2020/21

July 2021

Executive Summary

OVERALL ASSESSMENT

REASONABLE ASSURANCE

SUBSTANTIAL ASSURANCE
REASONABLE ASSURANCE
LIMITED ASSURANCE
NO ASSURANCE

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

19 - Business Continuity

SCOPE

The review assessed compliance with selected elements of the Local Code of Corporate Governance to assess the extent the Council can demonstrate that it complies. This review forms part of the rolling three-year programme of key governance audits.

KEY STRATEGIC FINDINGS

	The current self-assessment spreadsheet is only 34% complete in relation to the self-assessed level of compliance with the Local Code.
	In almost half of the sampled cases, there was out-of-date, or otherwise inadequate, evidence provided in support of the level of compliance with the Local Code.
	The Local Code of Governance December 2019 includes two errors not present in the 2018 version of the Code, which should be amended in the 2020 update.
	The next update to the Local Code should include references to the Covid-19 pandemic impacts on governance.

GOOD PRACTICE IDENTIFIED

	The Local Code of Governance is a thorough and robust document and is compliant with the current Delivering Good Governance in Local Government Framework.
	The template that has been developed to self-assess compliance with the Local Code is well structured and is compliant with the Framework Guidance.

ACTION POINTS

Urgent	Important	Routine	Operational
0	6	2	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	It was noted during testing that local arrangements A1 and A8 of the December 2019 version of the Local Code of Governance are duplicates. It was further noted that local arrangement A1 of the 2018 version of the Local Code was "make a Chief Executive (or equivalent) responsible and accountable to the authority for all aspects of operational management", however, this local arrangement does not appear in the December 2019 version.	Local arrangement A1 of the Local Code of Governance be changed to "make a Chief Executive (or equivalent) responsible and accountable to the authority for all aspects of operational management" as appropriate.	2	*This is an error that was introduced when the document approved by Council in December 2019 was reformatted to be accessible when it was added to the Council's website. This error has now been amended and the whole document checked against the updated version approved by Audit Committee in April 2021 (which was based on the original, inaccessible version, not the re-formatted version)*	*Implemented April 2021*	*Finance Lead Specialist*
2	Directed	From a comparison of the Local Code of Governance December 2019 with the version approved by Council at its meeting on 18th December 2018, local arrangement B8 from the 2018 version does not appear in the 2019 version. This states "consider those institutional stakeholders to whom we are accountable and assess the effectiveness of the relationships and any changes required". In all other respects the two versions are identical (other than the noted A1 and A8 issue above).	Local arrangement B8 (consider those institutional stakeholders to whom we are accountable and assess the effectiveness of the relationships and any changes required) from the 2018 version of the Local Code of Governance but omitted from the 2019 version be reinstated if it remains applicable.	2	*This error was caused by the same re-formatting as recommendation 1. It is now corrected and the whole document checked.*	*Implemented April 2021*	*Finance Lead Specialist*

PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.

2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.

3	ROUTINE	Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
4	Directed	For each of the Framework's seven core principles, the Guidance provides several behaviours and actions relating to that principle that demonstrate good governance in practice. Testing revealed, however, that in two instances the Council had mapped a behaviour and action that related to one principle, to a sub-principle of its Local Code that pertained to a different principle. These two instances were that Local Code reference D3 was mapped to core principle C. A fundamental point of the mapping exercise is that the mapping of each behaviour and action for a given principle can only be mapped to a sub-principle in the Local Code that pertains to that given principle.	The mapping of the Guidance behaviours and actions that demonstrate good governance in practice be mapped only to sub-principles in the Local Code that pertain to the same principle to which the behaviour and action relate.	2	*This has been amended as part of the 2020/21 Annual Governance Statement review of the application of the Local Code*	*Implemented May 2021*	*Finance Lead Specialist*
5	Directed	The Council uses a spreadsheet to self-assess compliance with its Local Code of Governance against each of the 235 'examples of systems, processes, documentation and other evidence demonstrating compliance' provided in Chapter Five of the CIPFA/SOLACE Guidance. This approach is compliant with the Guidance. A review of the spreadsheet showed that 34% of the 235 lines requiring a self-assessment response had been completed.	A self-assessment response be completed for each of the 235 'examples of systems, processes, documentation and other evidence demonstrating compliance' provided in Chapter Five of the CIPFA/SOLACE Guidance.	2	*This self-assessment has now been virtually fully populated with scores given to all lines and a summary included in the Annual Governance Statement.*	*Implemented May 2021*	*Finance Lead Specialist*

PRIORITY GRADINGS

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
7	Directed	From the 15 self-assessment lines selected for testing, there was an issue with the supporting evidence that was referenced against seven of the lines. For four of the lines, the evidence referenced a document that is no longer current; for one of the lines, the evidence referenced a link that is broken; for one of the lines, the evidence referenced a document that is not directly relevant; and for one of the lines, no evidence is provided.	The evidence provided in the self-assessment spreadsheet in support of the self-assessment score be fully completed, directly relevant and referenced to current documentation, via working hyperlinks as appropriate.	2	*The evidence has been reviewed as part of the 2020/21 final accounts process and up-to-date evidence added the assessment*	*Implemented May 2021*	*Finance Lead Specialist*
8	Delivery	The Council keeps abreast of recent guidance, for example from CIPFA Bulletins, including Application of the Good Governance Framework 2020/21, and from the CIPFA Financial Management Code 2019.	In line with the CIPFA Bulletin 'Application of the Good Governance Framework 2020/21', the Local Code of Governance be updated to include identifying how governance is operating during the current year, including changes made to adapt to the impact of Covid-19. Where changes have been made to ensure that the Council can meet the Principles of the CIPFA Financial Management Code 2019, appropriate updates be made to the Local Code for current and future years.	2	*The Code did not require an update to reflect Covid-19 but the self-assessment has reflected areas where the Code may not have been fully followed during 2020/21: the Annual Governance Statement reflects the changes to systems and governance for 2020/21 and the AGS action plan includes agreed actions to ensure the Council fully complies with the Code for 2021/22 onwards*	*Implemented May 2021* *AGS action plan includes actions to be taken during 2021/22: progress will be reported to Audit Committee*	*Finance Lead Specialist*

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	The Council uses a spreadsheet to determine its self-assessment responses in accordance with Chapter Five (Schedule to assist in putting the principles into practice) of the CIPFA/SOLACE Delivering Good Governance in Local Government Guidance Notes for English Authorities 2016 Edition. Chapter Five includes a table comprising three columns: • Principles of good governance; • Sub-principles and behaviours and actions that demonstrate good governance in practice; and, • Examples of systems, processes, documentation and other evidence demonstrating compliance. The spreadsheet was reviewed and, other than one exception, was seen to be an accurate reproduction of the text from Chapter Five.	When determining its self-assessment responses in accordance with Chapter Five of Delivering Good Governance in Local Government Guidance Notes, the line be included for: • Principle D; • Sub-principle: • Planning interventions; • Behaviours and actions that demonstrate good governance in practice: • Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy; and • Examples of systems, processes, documentation and other evidence demonstrating compliance: Corporate Plans.	3	*This amendment has been made to the self-assessment used for the 2020/21 Annual Governance Statement*	*Implemented May 2021*	*Finance Lead Specialist*

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
6	Directed	The Council's self-assessment spreadsheet includes a column to assign a Responsible Officer to each of the self-assessment 235 lines. A review showed that 39% of the 235 lines indicated a Responsible Officer. Assigning a Responsible Officer is not discussed in the Guidance, though it would be sensible to include this level of ownership.	A Responsible Officer be included for each of the 235 'examples of systems, processes, documentation and other evidence demonstrating compliance' provided in Chapter Five of the CIPFA/SOLACE Guidance.	3	*A responsible office has been added to all lines of the self-assessment*	*Implemented May 2021*	*Finance Lead Specialist*

PRIORITY GRADINGS

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Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
No Operational Effectiveness Matters were identified.				

Operational Effectiveness Matters need to be considered as part of management review of procedures.

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South Lakeland District Council

Assurance Review of Asset Management

2020/21

July 2021

Executive Summary

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OVERALL ASSESSMENT

REASONABLE ASSURANCE

- SUBSTANTIAL ASSURANCE
- REASONABLE ASSURANCE
- LIMITED ASSURANCE
- NO ASSURANCE

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OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

The strategic risk register does not present any specific risks relating to asset management.

KEY STRATEGIC FINDINGS

Specific policies and procedures are not in place covering the financial and operational aspects of each asset category.

A formal process of annual verification and valuation review of assets, excluded from a four year/annual revaluation cycle, during the financial year is not in place.

Fixed asset reconciliations and depreciation postings are carried out once a year as part of the year end accounting cycle.

GOOD PRACTICE IDENTIFIED

IT assets are effectively tagged, tracked and monitored by the central IT team.

Useful lives and depreciation cycle are effectively managed through the RAM Asset Management system.

SCOPE

The objective of the audit was to seek assurance that controls and procedures are effective and ensure that all land and property assets are identified and recorded, valuations are made in accordance with Accounting Standards and that the accounts accurately reflect the value of identified assets. This review forms part of the rolling three-year programme of key system audits.

ACTION POINTS

Urgent	Important	Routine	Operational
0	3	0	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	Currently there are no specific procedural documents covering fixed asset management. References made in statutory accounts relate mainly to the Financial Reporting aspect.	A set of procedure notes be prepared which cover all aspects of fixed asset management including the following: • Accounting and depreciation; • Maintenance and repairs; • Security and insurance; • Investment and budgeting; • Verification and audit; • Valuation and impairment cycles by asset class; and • Asset management systems used.	2	*Agreed. A multi-disciplinary group has meet to discuss the practicality of this. Initially the procedure notes will concentrate on the higher-value assets, with some assets prepared later (e.g. museum collection).*	*31/12/21*	*Finance Lead Specialist supported by IT Shared Service Manager and Operational Lead for Delivery and Commercial Services*

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	A formal asset verification programme is not in place, however, general verification is undertaken during the process of third party surveys and through the overall monitoring of IT equipment by the central IT department covering most asset categories.	A formal annual asset verification program be implemented and documented whereby all assets, which are not captured by valuation and impairment reviews, are subject to verification.	2	*The multi-disciplinary group also addressed this issue. Some assets are verified annually as part of the service delivery e.g. vehicles and plant which require regular service / tax / MOTs.* *Tagging of assets will be reviewed: all vehicles already have trackers. Other assets will be reviewed to identify the most appropriate method to verify existence and location on a regular basis.*	31/12/21	*Finance Lead Specialist supported by IT Shared Service Manager and Operational Lead for Delivery and Commercial Services*

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	Fixed asset reconciliations are carried out as part of the year end statutory audit and accounting cycle. This is due to valuation surveys coinciding with the year-end cycle often requiring material adjustments. Assets such as vehicles, IT equipment and intangible assets are not subject to third party surveys and can be subject to more frequent review and reconciliations.	Assets, which are not subject to a valuation exercise and depreciation, such as Held for Sale, Investment Properties and Heritage Assets, be subject to quarterly reconciliations. The reconciliation should also consider the Assets under Construction account.	2	*Investment Properties are revalued annually as required by proper accounting practices. Assets Held for Sale are also reviewed annually as this classification is only applicable if it is expected that the sale will occur in the next financial year. Assets under Construction are reviewed annually to ensure this category is appropriate: I cannot recall an occasion when an asset was under construction across 2 financial year-ends.* *There are 2 categories of asset where valuations are only carried out every 4-years and no depreciation is charged: Heritage Assets and Community Assets. There are seldom changes to the assets held in these categories except to add play areas acquired under s106 agreements.* *Bearing these points in mind the quarterly capital monitoring will consider if there are any changes to these categories but a full quarterly reconciliation seems excessive.*	30/09/21	*Finance Specialist (Systems)*

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Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments	
No Operational Effectiveness Matters were identified.					

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

South Lakeland District Council
Assurance Review of Asset Management

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